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September 17, 2013

Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: *Notice of Ex Parte Presentation*
Docket No. 12-268

Dear Ms. Dortch:

In accordance with Section 1.1206 of the Commission's rules, 47 C.F.R. §1.1206, United States Cellular Corporation ("USCC"), by its attorneys, hereby provides notice of an oral ex parte presentation in connection with the above-referenced proceeding. On September 13, 2013, Joseph Hanley, Senior Vice President, Telephone and Data Systems, Inc. (parent company of USCC), Grant Spellmeyer, Vice President, Federal Affairs and Public Policy, USCC, George Wheeler, Partner, Holland & Knight LLP, and Leighton Brown, Associate, Holland & Knight LLP, met with Gary Epstein and Edward Smith of the Incentive Auction Task Force and Erin Griffith, Chris Helzer, John Leibovitz, Paul Malmud, Jonathan McCormack, Tom Peters, Blaise Scinto and Brett Tarnutzer of the Wireless Telecommunications Bureau. Also joining the meeting via telephone was Darryl Degruy, Senior Engineer, USCC and Jennifer Tomchin of the Wireless Telecommunications Bureau.

The discussion in this meeting centered on the issues detailed in the attached slide presentation. In addition: (1) in response to a question posed regarding whether the Commission should require that 600 MHz band mobile devices be optimized to operate across the entire band, we noted that a truly random assignment process for the generic licenses planned to be offered in the forward auction would have this effect; (2) we recommended that, in the repacking analysis, the Commission take into account the specific operating characteristics of broadcast television stations, as well as terrain; (3) we discussed, but did not provide a specific recommendation regarding, the co-existence of co-channel broadcast television and wireless broadband operations; (4) we discussed, but neither expressly supported nor opposed, the possibility of licensing the 600 MHz band on the basis of a small service area – in order to allow the licensing of additional spectrum that is not encumbered by remaining broadcasters – that would have geographic boundaries that align with the Economic Area service area; and (5) we discussed, but neither expressly supported nor opposed, the possibility of a limited license exchange round after the close of the forward auction

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that would not require carriers to file, and the Commission to process, the license assignment applications that likely will be filed at that time.

Respectfully submitted,
HOLLAND & KNIGHT LLP

/s/
Leighton T. Brown
Counsel for United States Cellular Corporation

Enclosure

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Spectrum Incentive Auction: An Opportunity to Promote Competition in the Wireless Market

Friday September 13, 2013

**Hello
Better.**SM

Policy Goals

- The following are critical to ensuring broad auction participation, and thereby increase competition and promote service deployments in rural and other underserved areas:
 - A clear, *ex ante* interoperability requirement;
 - Maximizing the number of paired spectrum blocks;
 - Small license area sizes;
 - Random assignment process for the generic licenses;
 - No package bidding;
 - No blind bidding;
 - An auction-specific spectrum aggregation limit;
 - Provisions for the participation of designated entities;
 - Reasonable build-out requirements and related penalties;
 - A sufficient license term with a renewal expectancy;
 - Clearing much-needed spectrum of broadcasters as soon as possible.

Need for Interoperability Rule

- Although 600 MHz band plan can help to encourage interoperability, it cannot, by itself, ensure interoperability.
- Absent a regulatory requirement, the largest carriers, who alone can drive device development, have no incentive, and in fact have a disincentive, to offer interoperable devices.
- A clear, *ex ante* interoperability requirement would:
 - Reduce risk for small and regional carriers, and thus increase auction participation and revenue;
 - Permit the FCC to focus solely on creating a band plan that maximizes the potential of the 600 MHz spectrum;
 - Prevent a repeat of the Lower 700 MHz band, where the lack of interoperability drastically delayed network deployments to many rural and underserved areas.
- FCC has ample authority to adopt an interoperability requirement.
 - 47 U.S.C. § § 151, 303(b), 303(g), 303(r), 309(j)(3) and 1302(a).
 - FCC previously required interoperability for cellular spectrum.

Interoperability Proposal

- The FCC should require that:
 - All mobile devices designed to operate on 600 MHz paired spectrum must tune to all 600 MHz paired frequencies; and
 - All 600 MHz networks operating on 600 MHz paired frequencies must support the use of such devices.
- The terms “paired spectrum” and “paired frequencies” refer to how the frequencies are initially allocated and auctioned off in any market.
 - Otherwise, carriers could circumvent interoperability requirement by using only the uplink or downlink portion of a paired spectrum block.
- If the amount of paired spectrum is limited (*e.g.*, 2x25 MHz), the interoperability requirement should cover both paired and unpaired spectrum.
 - Otherwise, large carriers could monopolize the paired spectrum, leaving others with access only to unpaired spectrum that would not be subject to the interoperability requirement.

Maximizing Paired Spectrum

- Band plan should maximize the number of paired spectrum blocks.
 - Spectrum should only be allocated for supplemental downlink after paired spectrum has been maximized.
- Benefits of maximizing paired spectrum:
 - Consistent with leading technologies, so allows carriers to deploy and expand 4G wireless broadband services more quickly and efficiently;
 - Uplink spectrum is critical for network expansion by small and regional carriers;
 - Unlike the largest nationwide carriers, small and regional carriers lack the extensive spectrum holdings for which supplemental downlink spectrum would be sufficiently beneficial to justify its acquisition;
 - Increased auction participation and revenue because small and regional carriers are less likely to bid on downlink-only spectrum blocks;
 - Increased auction revenue also because paired spectrum inherently more valuable; * and
 - Absent sufficient paired spectrum, largest carriers could acquire most or all paired spectrum, leaving only supplemental downlink blocks – which have little to no value to many carriers – available to other bidders.

* In the 700 MHz auction, the unpaired spectrum sold at a 46% discount in relation to the paired spectrum blocks. See study performed by The Brattle Group, Inc. and filed in ET Docket No. 10-123 on Apr. 11, 2011.



Market Variation

- Market variation in the amount of uplink spectrum is critical to maximizing the number of paired spectrum blocks.
- Absent market variation, FCC would be forced to limit total amount of repurposed spectrum to that recovered in the “lowest common denominator” markets.
- Record reveals general consensus that interference potential could be successfully mitigated through technical and band plan solutions.

License Areas

- 600 MHz band should be licensed on the basis of Cellular Market Areas.
- CMAs needed to preserve opportunities for small and regional carriers, as well as new entrants, to provide an important source of competition.
 - Larger service areas often are prohibitively expensive because they include densely populated urban locations and extend beyond smaller carriers' desired service areas.
- CMAs benefit carriers of all sizes because they permit targeted spectrum acquisitions.
- CMAs would support much greater variation in the amount of reclaimed spectrum from area to area, and thus permit the FCC to license more spectrum that is not encumbered by remaining broadcasters.
- Past auctions demonstrate that spectrum offered on a CMA basis increases participation, bidding activity, and revenues.
 - In the 700 MHz auction, Upper C Block REAG-based licenses sold for \$0.76/MHz-pop, Lower A Block EA-based licenses sold for \$1.16/MHz-pop, and Lower B Block CMA-based licenses sold for \$2.68/MHz-pop.

Generic Licensing & Assignment Process

- If the FCC uses generic licensing, the licenses need to be as similar and technically interchangeable as possible
- The subsequent license assignment process should be random.
- The assignment process should not include a preference to coordinate a winning bidder's frequencies across adjacent license areas.
- Under no circumstances should the assignment process include an additional round of bidding, which would overwhelmingly favor the largest carriers.
- Either of these approaches could force all other 600 MHz licensees into one or more pass bands devoid of the largest carriers and their ability to drive the device ecosystem.

Package Bidding

- The FCC should not allow package bidding for any 600 MHz licenses.
- Package bidding could effectively foreclose auction participation by smaller bidders by skewing the auction in favor of the largest bidders, who could end up acquiring licenses at a discount.
- Smaller bidders face a “threshold problem” because anti-collusion rules prevent bidders from making coordinated adjustments to their collective bidding in order to defeat a package bid.
- Even if a smaller bidder assigns a higher value to a particular license, this valuation can be completely undercut by a large bidder able to include that license within a package bid that includes urban markets.
- The potential for “losing” bids on individual licenses to be reactivated many rounds later under package bidding forces smaller bidders to decide between two sub-optimal courses of action, both of which frustrate the goals of increased competition and rural broadband deployments:
 - The bidder can cease auction participation, which most likely would prevent it from acquiring a license and which would reduce auction competition and revenue; or
 - The bidder can bid on another license and risk being liable for more licenses than its business plan calls for, and perhaps more than it can afford.

Blind Bidding

- The FCC should not employ blind bidding procedures.
- Maximizing the available information minimizes uncertainty, so increases auction participation and bid amounts.
- Particularly for smaller bidders, license valuations depend on certain technical considerations – *e.g.*, availability of interoperable devices and adequate roaming opportunities – that require sufficient information on the identities of likely other licensees.

Spectrum Aggregation Limit

- FCC should adopt auction-specific spectrum aggregation limit.
- Specifically, prohibit bidders from acquiring more than 25% of the spectrum made available for auction in a single market.

Bidding Credits

- U.S. Cellular supports the FCC's proposal regarding bidding credits.

Performance Requirements

- Overly stringent performance requirements are unnecessarily burdensome, unjustified by market realities, and contrary to sound economic principles and business strategies.
 - Their effect is to discourage new investment, limit service to the public, force suboptimal network deployments, and diminish auction revenues.

License Term & Renewal

- License Term: License term should be at least 10 years, and should not begin to run until the spectrum has been cleared of broadcasters.
- License Renewal: FCC should not apply renewal standards adopted in *700 MHz First Report and Order* and proposed in *WCS Renewal NPRM and Order*.



Clearing Spectrum

- Clearing Channel 51: Lower 700 MHz A Block licensees should not be forced to wait years longer to have unencumbered access to all of their spectrum holdings.
- Clearing 600 MHz Band: Given the immediate need for additional spectrum, FCC should take steps to clear the repurposed spectrum of broadcasters as quickly as possible.